

- (c) Where the amount computed under clause (a) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under clause (a) shall be used for purposes of clause (e).
- (d) Where the amount computed under clause (a) for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under clause (a) shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount as so reduced shall be used for purposes of clause (e).
- (e) The amount for each hospital, as determined under either clause (c) or clause (d), as applicable, shall be the adjusted projected total payment adjustment amount for the hospital for the 1995-96 payment adjustment year.

- (4) The adjusted figures computed for all eligible hospitals under subparagraph (3) shall be added together, yielding the adjusted tentative size of the payment adjustment program for the 1995-96 payment adjustment year.
- f. For all eligible hospitals, the adjusted total per diem composite amounts as determined under paragraph e, subparagraph (2) shall be the amounts payable with respect to the period of October 1 through June 30 of the 1995-96 payment adjustment year, subject to the provisions of paragraphs h and i.
- g. No per diem payment adjustment amount shall be payable in connection with the period July 1 through September 30 of the 1995-96 payment adjustment year. The Medi-Cal days of acute inpatient hospital service paid by or on behalf of the Department that otherwise would have given rise to payment adjustment amounts with respect to this period of time shall not count toward the maximum limit set forth in Section D, subsection 3 of this Attachment.
- h. All Medi-Cal days of acute inpatient hospital service paid by or on behalf of the Department that give rise to payment adjustment amounts with respect to the period October 1, 1995, through June 30, 1996 shall be treated as involving 1.4 days. As a result, each per diem payment adjustment amount otherwise payable to the hospital in connection with such paid days shall be increased by 40 percent. The Medi-Cal days in question shall be treated as involving 1.4 days toward the maximum limit set forth in Section D, subsection 3 of this Attachment.

- i. For the 1995-96 payment adjustment year, no eligible hospital shall receive total payment adjustments, including per diem payment adjustment amounts, supplemental lump-sum payment adjustment amounts (as described in subsection 2.) and secondary supplemental payment adjustments (as described in subsection 3.) in excess of the hospital's OBRA 1993 payment limitation as computed by the Department pursuant to Section J. No hospital shall receive secondary supplemental payment adjustments to the extent such payment adjustments would be inconsistent with the provisions of subsection 3.
  - j. Any payment adjustment amount that otherwise would be payable to a hospital, but that is barred by the results of paragraph i. shall be withheld or recouped by the Department and thereafter distributed to other eligible hospitals, processed pursuant to Welfare and Institutions Code Section 14163, or otherwise processed in accordance with the provisions of this Attachment that relate to the payment adjustment program.
  - k. The final total amount of per diem payment adjustments paid by the Department for the 1995-96 payment adjustment year, plus the final total amount of supplemental lump-sum payment adjustments (as described in subsection 2.) and secondary supplemental payment adjustments (as described in subsection 3.) paid by the Department for the 1995-96 payment adjustment year, shall be the maximum size of the payment adjustment program for the 1995-96 payment adjustment year.
2. The availability of supplemental lump-sum payment adjustments shall be determined in accordance with the following:
- a. Each eligible hospital that remains in operation as of June 30, 1996, shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the hospital being a disproportionate share hospital in operation as of that date.

- b. The adjusted projected total payment adjustment amount for each hospital, as determined above pursuant to subsection 1., paragraph e., subparagraph (3) shall be identified.
- c. The total amount of all per diem payment adjustment amounts under this Attachment, whether paid or payable, that are applicable to the period October 1, 1995 through June 30, 1996, shall be determined for each hospital. The applicability of the per diem payment adjustment amounts to this period of time shall be determined in accordance with federal Medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.
- d. The figure determined under paragraph c for each hospital shall be subtracted from the figure identified under paragraph b for each hospital. If the remainder is a positive figure for the particular hospital, the supplemental lump-sum payment adjustment for the hospital shall be the positive remainder amount, which, subject to subsection 1, paragraph i and paragraph j, shall be payable because the facility is a disproportionate share hospital in operation as of June 30, 1996.
- e. The Department shall make interim and final payments of the supplemental lump-sum payment adjustments under this subsection on or before September 30, 1996.

3. The availability of secondary supplemental payment adjustments, which shall relate only to the 1995-96 payment adjustment year, shall be determined in accordance with the following:
- a. Except as provided in subparagraphs (1) and (2) below, each eligible hospital that remains in operation as of June 30, 1996, shall also be eligible to receive a secondary supplemental payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date.
    - (1) Eligible hospitals that, without regard to any secondary supplemental payment adjustment, have otherwise received or have earned payment adjustments relating to the 1995-96 payment adjustment year greater than or equal to 95% of the particular hospital's OBRA 1993 hospital-specific payment limitation for the 1995-96 payment adjustment year (as computed by the Department pursuant to Section J.) shall not be entitled to receive any secondary supplemental payment adjustments under this subsection.
    - (2) Eligible hospitals that, as of July 1, 1995, were part of a county-operated health system of three or more eligible hospitals licensed to the county shall be deemed to have reached the limitation described in subparagraph (1).
  - b. The maximum amount of secondary supplemental payment adjustments available pursuant to this subsection shall be calculated as follows:
    - (1) The total amount of all per diem payment adjustment amounts, whether paid or payable, for the 1995-96 payment adjustment year, as determined under paragraph c. of subsection 2., shall be identified.
    - (2) The total amount of all supplemental lump-sum payment adjustments, whether paid or payable, as determined under paragraph d. of subsection 2., shall be identified.

- (3) The Department shall estimate the total amount of payment adjustments under this Attachment that it anticipates will be applicable to the period July 1, 1996, through September 30, 1996. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.
  - (4) The Department shall identify the amount of the final maximum state disproportionate share hospital allotment for California for the 1996 federal fiscal year under applicable federal rules. The amount identified shall not exceed two billion one hundred ninety-one million four hundred fifty-one thousand dollars (\$2,191,451,000).
  - (5) The amounts identified or estimated under subparagraphs (1), (2) and (3) shall be added together, and the sum of these amounts shall be subtracted from the amount identified under subparagraph (4). The remainder determined from this calculation, or the amount of two hundred million dollars (\$200,000,000), whichever is less, shall be the maximum amount available for secondary supplemental payment adjustments under this subsection.
- c. The maximum amount available for secondary supplemental payment adjustments, as identified under subparagraph (5) of paragraph b., shall be distributed to eligible hospitals as follows:
- (1) The total amount of all per diem payment adjustments and supplemental lump-sum payment adjustments relating to the 1995-96 payment adjustment year, whether paid or payable, shall be identified for each eligible hospital. However, notwithstanding any other provision of this Attachment, those hospitals referred to in subparagraphs (1) and (2) of paragraph a. shall not be included in this step, and shall not receive any secondary supplemental payment adjustments, as described therein.

- (2) For purposes of secondary supplemental payment adjustments, eligible hospitals shall be grouped into various hospital types. No hospital may qualify for more than one of these groups. Notwithstanding clauses (i) through (v) below, the hospitals described in subparagraphs (1) and (2) of paragraph a. shall not be included in any of these groups. The following groups of hospitals shall be recognized:
- (i) "State of California hospitals" (this group shall include all eligible hospitals that, as of July 1, 1995, were licensed to the State of California or to the University of California);
  - (ii) "County hospitals" (this group shall include all eligible hospitals that, as of July 1, 1995, were licensed to a county or a city and county);
  - (iii) "Other public hospitals" (this group shall include all eligible hospitals that, as of July 1, 1995, were licensed to a local hospital district, a local health authority, a city, or any other non-county political subdivision of the state);
  - (iv) "Children's hospitals" (this group shall include all eligible hospitals that, as of July 1, 1995, were included in the children's hospital group under paragraph b. of subsection 2. of Section C.);
  - (v) "Other non-public hospitals" (this group shall include all eligible hospitals that are not included in any group described in clauses (i) through (iv) above).
- (3) The amount determined to be the maximum amount of secondary supplemental payment adjustments under subparagraph (5) of paragraph b. shall first be allocated among the groups of hospitals referred to in subparagraph (2), as follows:

- (i) "State of California hospitals": 64.35% of the maximum amount;
  - (ii) "County hospitals": 18.095% of the maximum amount;
  - (iii) "Other public hospitals": 0.65% of the maximum amount;
  - (iv) "Children's hospitals": 6.755% of the maximum amount;
  - (v) "Other non-public hospitals": 10.15% of the maximum amount.
- (4) The amount of funds allocated pursuant to subparagraph (3) to each of the particular groups of hospitals referred to in subparagraphs (2) and (3) shall then be distributed as secondary supplemental payment adjustments among the eligible hospitals within each particular group. The secondary supplemental distributions shall be made on a descending pro rata basis within each group. Each cycle of the descending pro rata distribution shall be considered to be a phase of the process. As described below, in each phase of the descending pro rata distribution, the pro rata share of the distribution to each hospital that remains eligible to receive additional distributions shall be computed based on the ratio of the total payment adjustments that the particular hospital has already earned under the payment adjustment program for the 1995-96 payment adjustment year, as compared to the total payment adjustments already earned by the other hospitals in the particular group that remain eligible to receive such additional distributions.



- (i) For the first phase, the total amount of payment adjustments under this Attachment for the 1995-96 payment adjustment year (including all per diem payment adjustments and all supplemental lump-sum payment adjustments) that are determined by the Department as already being paid or payable to each hospital eligible for the distribution shall be determined.
  - (ii) The figures determined under clause (i) for each hospital in the particular group shall be added together to determine an aggregate total.
  - (iii) The figures determined for each hospital under clause (i) shall be divided by the aggregate figure determined under clause (ii), yielding a percentage figure for each hospital.
  - (iv) The percentage figure determined for each hospital under clause (iii) shall be applied to the maximum portion of the funds allocated to the particular group under subparagraph (3) that can be distributed in the particular phase until a hospital in the particular group reaches the limitation set forth in subparagraph (5).
- (5) For each eligible hospital, no secondary supplemental payment adjustment shall be paid to the extent that such secondary supplemental payment adjustment would cause the total of all payment adjustments to the hospital under this Attachment relating to the 1995-96 payment adjustment year to exceed that amount which is the product of multiplying 95% times the particular hospital's OBRA 1993 payment limitation for the 1995-96 payment adjustment year (as computed by the Department in accordance with Section J.).

- (6) Any secondary supplemental payment adjustment amount (or portion thereof) that otherwise would have been payable to a particular hospital under this paragraph c., but that is barred by the limitation described in subparagraph (5), shall be distributed by the Department through additional phases of the descending pro rata distribution process to those hospitals within the same group (as set forth in subparagraphs (2) and (3)) as the particular hospital. For each additional phase, the mathematical steps referred to in subparagraph (4) shall be repeated for those hospitals that have not reached the limitation set forth in subparagraph (5). The phases shall continue until the funds allocated to the particular group under subparagraph (3) have been fully exhausted. No such distribution in any phase, however, shall be in an amount that would cause any hospital to exceed the limitation set forth in subparagraph (5).
- d. Data regarding all payment adjustments earned by eligible hospitals described in subparagraphs (1) and (2) of paragraph a. with respect to the 1995-96 payment adjustment year, whether paid or payable, shall be included in the computations under paragraph b., but excluded from the computations under paragraph c.
- e. The Department shall make payments of the secondary supplemental payment adjustments to hospitals on or before November 30, 1996.
4. For purposes of complying with section 13621 of the Omnibus Budget Reconciliation Act of 1993, the hospital-specific limitation described in Section J shall be applicable to amounts otherwise paid or payable with respect to the 1995-96 payment adjustment year.